

Message Text

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ACTION EB-07

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CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

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AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

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C O N F I D E N T I A L ROME 8752

E.O. 11652: GDS

TAGS: ENRG, IT

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SUBJECT: ENERGY: ITALY AND THE MINIMUM SAFEGUARD PRICE

REF: (A) ROME 8316
(B) STATE 140564
(C) STATE 137997
(D) ROME 6626 (NOTAL)

1. SUMMARY: IN JUNE 16 MEETING WITH ECONOMIC-COMMERCIAL MINISTER PRIOR RECEIPT REF (B), MINISTRY OF FOREIGN AFFAIRS ENERGY COORDINATOR GIOVANNI MIGLIUOLO TRACED LIMITS OF GOI ADHESION TO MINIMUM SAFEGUARD PRICE (MSP) FOR IMPORTED PETRO-

LEUM AGAINST REMARKS OF MINISTER OF INDUSTRY DONAT CATTIN (REFTEL A) AND ITALIAN POLITICAL-ECONOMIC SITUATION. MIGLIUOLO DENIED THAT DONAT CATTIN'S REJECTION OF MSP CONCEPT REPRESENTED SIGNIFICANT DEPARTURE OR DEMONSTRATED DISSENSION WITHIN GOI, REITERATING THAT GOI ACCEPTANCE OF MSP HAD ALWAYS BEEN CONDITIONAL ON OBTAINING BALANCE OF BENEFITS AND COSTS, RECOGNITION OF UNIQUE ITALIAN POSITION, AND PROGRESS ON OTHER ELEMENTS LONG-TERM ENERGY COOPERATION PROGRAM. END SUMMARY.

2. MIGLIUOLO REJECTED THESIS THAT CONTROVERSY SURROUNDING MININD DONAT CATTIN'S REMARKS (REFTEL A) INDICATED DISSENSION WITHIN GOI RE MSP OR SIGNIFICANT DEPARTURE FROM PRIOR POSITIONS. HE NOTED THAT HE HAD ATTENDED DONAT CATTIN'S MAY 28 PARIS PRESS CONFERENCE, AND HAD DISCUSSED ELEMENTS OF DONAT CATTIN'S PRESENTATION PRIOR TO HIS APPEARANCE. PRESS REPORTS, ACCORDING TO MIGLIUOLO, HAD BEEN TOO DRAMATIC, EMPHASIZING ONLY HIS REJECTION OF MSP. ACTUALLY, DONAT CATTIN'S PRESENTATION, TAKEN IN ITS ENTIRETY, CORRESPONDED TO GOI POSITION REPEATEDLY MADE CLEAR BY VARIETY OF GOI SPOKESMAN; I.E., THAT ORIGINAL GOI ACCEPTANCE OF THE MSP PRINCIPLE AT MARCH 20 IEA GB MEETING AND SUBSEQUENTLY WAS "ACT OF POLITICAL SOLIDARITY" LINKED TO CONCURRENT PROGRESS IN OTHER ASPECTS OF IEA PROGRAM ON LONG-TERM COOPERATION, BALANCING OF COSTS AND BENEFITS AND CONCRETE RECOGNITION OF UNIQUE ITALIAN POSITION AS MOST-AFFECTED INDUSTRIAL NATION. SINCE PROGRESS IN THESE LATTER AREAS HAS NOT KEPT PACE WITH MOMENTUM AND TIMING OF DEFINITION OF MSP, GOI IS RESISTING FURTHER ATTEMPTS TO DEFINE MSP PENDING A DEGREE OF EQUIVALANCE OF PROGRESS IN OTHER AREAS. GOI ENDORSEMENT OF MSP AS GESTURE OF POLITICAL SOLIDARITY REMAINS INTACT.

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3. MIGLIUOLO WENT ON TO QUESTION IEA ABILITY--AND NEED--TO EACH A RAPID AGREEMENT ON THE MSP. JAPAN AND OTHER COUNTRIES ARE OPPOSED TO FURTHER DEFINITION OF THE MSP CONCEPT. ALSO, APPEARANCE OF CONFRONTATION WITH THE PRODUCERS SIGNIFIED BY THE MSP MIGHT HAVE EFFECT OF INCREASING PRODUCER COHESION AT TIME OF WEAK OIL DEMAND AND SOME EVIDENCE OF INTERNAL PROBLEMS WITHIN OPEC. REGARDING "DECISIONS" REACHED JUNE 11 SPECIAL

GB MEETING (REFTEL C), MIGLIUOLO SAID THAT MANDATE OF MEETING HAD BEEN EXCEEDED: GOI HAD NOT EXPECTED NOR WAS PREPARED TO MAKE DECISION DURING THE SESSION; THUS COULD NOT ENDORSE THE RESULTS OBTAINED AND WOULD REGISTER ITS PROCEDURAL AND SUBSTANTIVE OBJECTIONS. HE IMPLIED THAT RELATIVELY LOW-LEVEL GOI REPRESENTATIVE AT MEETING WAS UNABLE TO MAKE COMMITMENTS; IN ANY CASE, WOULD NOT HAVE BEEN AUTHORIZED TO DO SO.

4. NOTING POLITICAL AND ECONOMIC SENSITIVITY OF THE MSP ISSUE IN ITALY, MIGLIUOLO EMPHASIZED THAT, DUE LACK OF DOMESTIC ENERGY RESOURCES, MSP AT BEST IRRELEVANT (ECONOMICALLY; FOR INSTANCE, IN THE CASE THAT THE PRICE OF PETROLEUM NEVER DESCENDS BELOW THE MSP) AND AT WORST (FOR INSTANCE, IF THE PRICE OF IMPORTED PETROLEUM FELL BELOW THE MSP), HIGHLY DAMAGING TO ITALIAN INDUSTRY WHICH IS DEPENDENT UPON IMPORTED PETROLEUM. EVEN THOUGH ODDS FAVORED FORMER, DOMESTIC OPPOSITION SAW ONLY POTENTIAL THREAT. NATURALLY, OPPOSITION IS GREATER AT HIGHER LEVELS OF PROTECTION (\$11-13 HAVE APPEARED IN PRESS REPORTS), BUT OPPOSITION TO MSP IS SUBSTANTIAL AND RANGES FROM THE RIGHT OF POLITICAL SPECTRUM TO THE LEFT, ENCOMPASSING CONFIN-DUSTRIA, IRI, ENI AND LEFT PARTIES.

5. MIGLIUOLO CONCEDED THAT MFA UNDER SECRETARY BATTAGLIA (ITALIN REPUBLICAN PARTY-PRI) HAD PROBABLY BEEN INFLUENTIAL IN THE VOCE REPUBBLICANA EDITORIAL CHASTIZING DONAT CATTIN. MIGLIUOLO CAUTIONED THAT THIS OT RPT NOT BE INTERPRETED AS INDICATING DISSENSION WITHIN THE GOI; MORE LIKELY, IN HIS VIEW, IT REFLECTS THE DISPOSITION OF PRI ELDER STATESMAN UGO LA MALFA TO ACCEPT UNCRITICALLY US POSITIONS. THIS SORT OF HELP, HE SUGGESTED, IS NOT AN ADVANTAGE FOR THE US IN THE END.

6. COMMENT: IN ESSENCE, MIGLIUOLO'S JUNE 16 REMARKS ARE A
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CONTINUATION OF THE DIALOGUE BEGUN MAY 6 (REF D) ON ITALIAN PROBLEMS WITH THE IEA AND ELSEWHERE ON ENERGY PROBLEMS. IN THAT MEETING, MIGLIUOLO UNDERLINED (A) INCREASING NON-ACCEPTANCE OF THE MFA'S LEAD IN ENERGY AFFAIRS BY THE TECHNICAL INDUSTRIES; (B) CRYSTALLIZATION OF DOMESTIC POLITICAL AND INDUSTRIAL OPPOSITION AND (C) THE DELICATE INTERNAL POLITICAL SITUATION--CERTAINLY NOT STRENGTHENED BY THE RESULTS OF THE JUNE 15 ELECTIONS--WHICH LIMITS THE GOI'S ABILITY TO UNDERTAKE WHAT MAY BE INTERPRETED AS UNPOPULAR POSITIONS. TO SOME EXTENT, EVENTS HAVE CONFIRMED THESE EARLY-MAY PERCEPTIONS. THE POINTS MADE THEN REMAIN IMPORTANT IN THE FORMULATION OF GOI ENERGY POLICY, AND IN DETERMINING THE LIMITS OF GOI ABILITY TO BE FORTHCOMING. VOLPE

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